

<p align="center">SUMMARY OF MAJOR CHANGES TO DOD 7000.14-R, VOLUME 6B, CHAPTER 2 “GENERAL INSTRUCTIONS FOR THE FINANCIAL STATEMENTS”</p> <p align="center">Substantive revisions are denoted by a ★ preceding the section, paragraph, table, or figure that includes the revision</p>		
PARA	EXPLANATION OF CHANGE/REVISION	PURPOSE
020103	Revises narrative to clarify responsibility of Defense Agencies in the category referred to as Other Defense Organizations.	Update
020104.E	Deletes an appropriation that is no longer active (Treasury Index 11X1088) and therefore not required to be presented in the Other Accompanying Information section.	Update
020202.J	Adds the requirement for formal Joint Reviews for Defense Agencies that are required to prepare audited financial statements.	Update
020203 and Table 2-4	Adds new milestone/action items and changes most (38 of 43) milestone/action item due dates from a calendar date to workday of the month schedule.	Update
020402	Updates the reference to the current Office of Management and Budget (OMB) audit bulletin for the legal representation letters summary requirement.	Update
020503	Requires comparative statements for FY 2001 and beyond.	Update
020512	Adds the requirement to provide advance copies of financial statements to OMB 10 days before submitting to Congress.	Update
020514	Clarifies responsibility of the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics for the Required Supplementary Stewardship Information, Deferred Maintenance information and the coordination of this information with the Office of the Deputy Chief Financial Officer (Accounting Policy), the Defense Finance and Accounting Service and the Treasury Financial Management Service.	Clarification

TABLE OF CONTENTS

GENERAL INSTRUCTIONS FOR THE FINANCIAL STATEMENTS

0201 Responsibility for Preparing Financial Statements

★0202 Reporting Schedule

0203 Management Representation Letters

0204 Legal Representation Letters

0205 General Preparation Instructions

CHAPTER 2

GENERAL INSTRUCTIONS FOR THE FINANCIAL STATEMENTS0201 RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

020101. Responsibility for Audited Financial Statements. Primary responsibility for the content and submission of the audited financial statements rests with the head of the reporting entity for which the statements are prepared. The actual preparation of the financial statements is the joint responsibility both of the Department of Defense (DoD) accounting activity maintaining the official departmental accounting records and the DoD Component for which those official accounting records are maintained. It is important to recognize that, while the accounting organization is responsible for assembling the principal statements, much of the data needed to prepare the principal statements originates in nonfinancial systems. Entity management is responsible for ensuring that the data originating outside of the official accounting systems is provided to the accounting organization in a timely manner, that it is complete, and that there are adequate internal controls and audit trails to ensure the data is accurate. The officials responsible for the content and submission of audited financial statements are identified in Table 2-1, below.

Officials Responsible for Audited Financial Statements

Reporting Entities	Responsible DoD Official
Department of Defense	Chief Financial Officer (CFO), DoD
Department of the Army	The Secretary of the Army
Department of the Navy	The Secretary of the Navy
Department of the Air Force	The Secretary of the Air Force
Army Working Capital Fund (WCF)	The Secretary of the Army
Navy WCF	The Secretary of the Navy
Air Force WCF	The Secretary of the Air Force
Department of Defense Military Retirement Fund	Under Secretary of Defense (Personnel and Readiness)
U.S. Army Corps of Engineers (USACE) Civil Works	The Secretary of the Army

Table 2-1

020102. Responsibility for Preparation of the Financial Statements. The primary responsibility for the financial statements rests with the reporting entity management. Responsibility for preparation of the Principal Statements and Notes, however, is shared with the accounting organization responsible for maintaining the financial records of the reporting entity. Table 2-2 identifies the office that is primarily responsible for preparation of each section of the financial statements.

Official Responsible for Sections of the Audited Financial Statements

Responsibility for Preparation and Submission of Audited Financial Statements	CFO DoD	DFAS/USACE Accounting Activity	Reporting Entity Management
Overview of the Reporting Entity			X
Principal Statements			
Balance Sheet		X	
Statement of Net Cost		X	
Statement of Changes in Net Position		X	
Statement of Budgetary Resources		X	
Statement of Financing		X	
Statement of Custodial Activity		X	
Notes to the Principal Statements			
Note 1 to the Principal Statements		X	
Remaining Notes to the Principal Statements			X ¹
Supporting Consolidating/Combining Statements		X	
★Required Supplementary Stewardship Information (RSSI)			X ²
Required Supplementary Information (RSI):			
Disaggregated Statement of Budgetary Resources		X	
Deferred Maintenance RSI			X
Segment Information		X	
Intragovernmental Amounts (transactions between federal entities)		X	
Other Accompanying Information:			
Other Supporting Statements		X	
Additional Performance Measures and Other Management Information			X
Submission of entity-level complete unaudited financial statements concurrently to the Inspector General (IG), DoD and to the Deputy Chief Financial Officer (DCFO)			X
Submission of the Agency-wide complete unaudited financial statements to the IG, DoD for audit	X		
★Submission of the entity-level final complete financial statements to the IG, DoD and the DCFO			X
★Submission of audited financial statements to the Office of Management and Budget (OMB) and the Congress	X		

¹Primary responsibility rests with the reporting entity. However, the Defense Finance and Accounting Service (DFAS) and the USACE Finance Center (FC) primarily prepare accounting type schedules in the notes and the reporting entity is primarily responsible for preparation of the narrative explanation statements to the notes. When comparative statements are required, the reporting entity shall explain in the notes significant year-to-year changes in amounts reported on lines of the Principal Statements.

²The Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) has responsibility for the RSSI reporting requirements, review of reported RSSI in DoD Component statements, and consolidation of the RSSI section for the DoD Agency-wide financial statement.

Table 2-2

★ 020103. Responsibility for Other Defense Organization Subentities. In order for the Department to prepare the DoD Agency-wide audited financial statements, supporting financial statements shall be prepared for the remaining DoD organizations not identified in Chapter 1, paragraph 010605 of this volume. The organizations covered by this paragraph are the activities funded with Treasury Index (TI) 97 Defense appropriation/funds and are aggregated into two groups: (1) the Other Defense Organizations (ODO) General Funds (GF), and (2) the ODO Working Capital Fund (WCF). The responsible accounting activities shall prepare the required supporting statements for the subentities identified in Table 2-3 and submit the statements to the responsible official designated in Table 2-3. The responsible official shall ensure that: (1) all necessary data that originates in nonfinancial processes and systems (e.g., inventory and property data) is provided; (2) combining statements are reviewed; and (3) feedback is provided to the DFAS for consolidation.

**Office of the Secretary of Defense Principal Staff Assistants
and Other Defense Organizations Subentities**

RESPONSIBLE OFFICIAL	OTHER DEFENSE ORGANIZATIONS SUBENTITIES	FUND TYPE
Under Secretary of Defense for Acquisition, Technology and Logistics	Ballistic Missile Defense Organization	GF
	Defense Advanced Research Projects Agency	GF
	Defense Acquisition University	GF
	Defense Logistics Agency	GF and WCF
	Defense Threat Reduction Agency	GF
	Defense Contract Management Agency	GF
	Federal Energy Management Program	GF
	Joint Logistics Systems Command	GF and WCF
	National Defense Stockpile Transaction Fund	GF
	Technical Research Institute	GF
	Office of Economic Adjustment	GF
Under Secretary of Defense (Personnel and Readiness)	Defense Commissary Agency	GF and WCF
	Defense Health Program	GF
	Defense Medical Program Activity	GF
	DoD Education Activity	GF
	DoD Education Benefits Fund	GF
	Tricare Management Activity	GF
	Voluntary Separation Incentive Trust Fund	GF
	DoD Human Resources Activity	GF
	Ready Reserve Mobilization Income Insurance Fund	GF (a revolving fund)
Under Secretary of Defense (Comptroller) (USD(C))	Defense Contract Audit Agency	GF
	DFAS	GF and WCF
	DoD Component Level Accounts	GF
	Management Systems Support Office	WCF
Under Secretary of Defense (Policy)	Defense Security Cooperation Agency	GF
	Defense Prisoner of War/Missing Persons Office	GF

Table 2-3

RESPONSIBLE OFFICIAL	OTHER DEFENSE ORGANIZATIONS SUBENTITIES	FUND TYPE
Assistant Secretary of Defense (Command, Control, Communications and Intelligence)	Defense Information Systems Agency	GF and WCF
	Defense Intelligence Agency	GF
	Corporate Information Management	WCF
	Defense Security Service	GF and WCF
	National Imagery and Mapping Agency	GF
Director, National Security Agency	National Security Agency	GF
Inspector General, Department of Defense	Office of the Inspector General (OIG), DoD	GF
Director, Joint Staff	Joint Chiefs of Staff	GF
Unified Combatant Command	U.S. Special Operations Command	GF
Director, Washington Headquarters Services (WHS)	Court of Appeals of the Armed Forces	GF
	American Forces Information Service	GF
	Office of the Secretary of Defense (OSD)	GF
	Pentagon Reservation Maintenance Revolving Fund	GF
	WHS	GF
	Building Maintenance Fund, Defense	GF
	Other "97" funds provided to WHS by OSD	GF
	All Other (Prior Year Residual) "97" Funds	GF
Assistant Secretary of the Army (Financial Management and Comptroller) (FM&C)	Emergency Response Fund, Defense	GF
	Homeowners Assistance Fund, Defense	GF
	★National Security Education Trust Fund	GF
	Other "97" funds provided to the Army by OSD	GF
Assistant Secretary of the Navy (FM&C)	Other "97" funds provided to the Navy by OSD	GF
Assistant Secretary of the Air Force (FM&C)	Other "97" funds provided to the Air Force by OSD	GF

Table 2-3 (Continued)

020104. Reporting of Foreign Military Sales (FMS) Activity in the DoD Financial Statements. The Defense Security Cooperation Agency administers the FMS programs on behalf of the Executive Office of the President. The OMB, in coordination with the General Accounting Office (GAO), has approved the following provisions regarding the specific information on the financial activity of FMS programs, that is to be included in the DoD financial statements.

A. Amounts for FMS procurement by contract shall not be reported in the DoD Agency-wide Statement of Net Costs but shall be disclosed in a footnote. Management's estimate of the amount of FMS program procurements by contractors during the period shall be included only in note 19 of the DoD Agency-wide consolidated financial statements.

B. A Statement of Custodial Activity shall be prepared for cash receipts and disbursements of the FMS Trust Fund and included in the DoD Agency-wide consolidated financial statements. Guidance concerning the preparation of the Statement of Custodial Activity is contained in Chapter 9 of this volume.

C. Revenue and expense amounts pertaining to FMS goods or services provided from the stocks of the DoD Components on a reimbursable basis shall continue to be reported in the financial statements of the applicable selling DoD Component and in the DoD Agency-wide consolidated statements. Guidance concerning the identification of interagency transactions is contained in Chapter 13 of this volume.

D. Revenue and expense amounts pertaining to the FMS administrative expenses shall be included in the DoD Agency-wide consolidated financial statements as a portion of “Other Defense Organizations, General Funds.” Guidance concerning the identification of interagency transactions is contained in Chapter 13 of this volume.

★ E. Principal statements for the following accounts are not required. Information shall be provided by the DFAS Denver Site, Directorate for Security Assistance, however, in the Other Accompanying Information section of the DoD Agency-wide report, on the allocations and authorities received from the Executive Office of the President for appropriated funds (i.e., 11*1081, 11*1082, and 11*1084) and revolving funds (11X4116, 11X4121, 11X4122 and 11X4174). See Chapter 3, section 0303 of this volume.

0202 REPORTING SCHEDULE

★ 020201. Audited Financial Statements. The OMB requires agencies to submit audited financial statements by February 27, following the end of the fiscal year for each of the reporting entities identified in the current OMB Bulletin titled “Audit Requirements for Federal Financial Statements.” All DoD reporting entities must meet the detailed schedule in Table 2-4 in order for the Department as a whole to meet the February 27th due date to the OMB and the Congress.

020202. Joint Reviews of Financial Statements and Notes. Joint reviews on the initial financial statements and notes are critical to determine in a timely and efficient manner the completeness of financial information provided by both the accounting activity and the various Component functional organizations. Separate joint reviews shall be scheduled to cover the following reporting entities/categories:

- A. Department of the Army GF
- B. Department of the Navy GF
- C. Department of the Air Force GF
- D. Army WCF
- E. Navy WCF
- F. Air Force WCF
- G. DoD Military Retirement Fund
- H. USACE (Civil Works)
- I. DoD Agency-wide to include Treasury Index 97, Other Defense Organizations GF and Other Defense Organizations WCF
- ★ J. Defense Agencies preparing internal DoD required financial statements

★ 020203. Key Financial Statements Preparation Due Dates. The development and publication of the audited financial statements requires coordinated actions by entity management, the supporting accounting organization, and the audit community. Table 2-4 provides a list of the key milestones in the development of the audited financial statements. The schedule contained in Table 2-4 applies to all reporting entities identified in paragraphs 010601 and 010605 as well as to all ODO subentities identified in Table 2-3. The dates identified in Table 2-4 represent the month and day immediately following the end of the fiscal year for which the financial statements are being prepared. If an identified date falls on a Saturday, Sunday, or holiday, then the due date becomes the last workday preceding the weekend or holiday. The Defense Departmental Reporting System-Audited Financial Statements (DDRS-AFS) is the automated reporting application used to prepare and review the Department's financial statements and notes.

★Key Financial Statements Preparation Due Dates

No.	Required Action	Responsible Office	Milestone by Work Day (WD)
1	Request legal and management representation letters from reporting entity management	Auditors	1st WD October
2	Obtain waiver from buyer-side elimination adjustments (see Chapter 13 for requirements)	Applicable DoD Components	1st WD October
3	Provide to the reporting entity's General Counsel a letter of inquiry requesting interim and updated legal representation letters	Components	10th WD October
4	Components waived from buyer-side elimination adjustments (milestone No. 2) provide buyer-side data to DoD Accounting Centers	Applicable DoD Components	18th WD October
5	Complete adjustments of seller-side balances for transactions with DoD Components that obtained a waiver from buyer-side adjustments	DFAS and the USACE-FC	20th WD October
6	Provide auditors preliminary year-end budgetary reports and budgetary trial balances	DFAS and the USACE-FC	Last WD October
7	Input intra-DoD seller side account balances into DDRS-AFS	DFAS and the USACE-FC	Last WD October
8	Provide data from feeder systems and manual data calls (required to complete statements and notes) to the DFAS or USACE-FC. NOTE: This is one of the most critical milestones in the process of preparing reporting entities statements and notes	DoD Components	2nd WD November

Table 2-4

No.	Required Action	Responsible Office	Milestone by Work Day (WD)
9	Complete adjustments of DoD buyer-side data to reflect seller-side intragovernmental balances	DFAS and the USACE-FC (unless waiver was obtained)	2nd WD November
10	Provide initial RSSI and the Deferred Maintenance RSI to the OUSD(AT&L) on Stewardship Assets, Stewardship Investments and Deferred Maintenance including all schedules/displays with narrative statements	DoD Components	6th WD November
11	Notify DoD reporting entities that draft (version 1) Statements and Notes are available in the DDRS-AFS (the draft and trial balances are also available in the DDRS-AFS to the OIG, DoD/audit community)	DFAS and the USACE-FC	12th WD November
12	Notify the Office of the Deputy Chief Financial Officer (ODCFO) that the draft (version 1) DoD Agency-wide Statements and Notes are available in the DDRS-AFS (the draft and trial balances are also available in the DDRS-AFS to the OIG, DoD)	DFAS	15th WD November
13	DoD provides seller and buyer-side nonfiduciary account balances to other federal agencies	DoD	15th of November
14	The DFAS and the USACE-FC receive seller and buyer-side nonfiduciary account balances from other federal agencies	Other Federal Agencies	15th of November
15	Hold joint reviews for the reporting entities of the draft (version 1) Statements and Notes	DFAS, USACE-FC and DoD Components	17th WD November through 3rd WD December
16	Provide additional information to the DFAS/USACE-FC based on the Joint Review in regard to the statements, note schedules and note narrative	DoD Components	2nd WD after Joint Review
17	Provide legal representation interim response letter, with associated summaries, to auditors, General Counsel (GC), DoD, (Attention: Office of the Deputy General Counsel (Fiscal) (ODGC(F))), and to the DFAS/USACE-FC	DoD Components	1st WD December

Table 2-4 (Continued)

No.	Required Action	Responsible Office	Milestone by Work Day (WD)
18	Notify reporting entities that the revised (version 2) Statements and Notes are available in the DDRS-AFS	DFAS and the USACE-FC	6th WD December
19	Provide draft RSSI and Deferred Maintenance RSI schedules/displays with narrative statements to the OUSD(AT&L)	DoD Components	6th WD December
20	Notify ODCFO that the revised (version 2) DoD Agency-wide Statements and Notes are available in the DDRS-AFS	DFAS	9th WD December
21	Provide DoD Agency-wide RSSI and Deferred Maintenance RSI schedules/displays with narrative statements to the ODCFO	OUSD(AT&L)	11th WD December
22	Provide stand-alone entity complete unaudited annual financial reports concurrently to: OIG, DoD, and ODCFO in hard copy with cover memorandum	DoD Components	14th WD December
23	Provide the complete unaudited DoD Agency-wide annual financial report to the OIG, DoD in hard copy with cover memorandum	DCFO	15th WD December
24	Receive legal representation interim response letter from GC, DoD	GC, DoD	15th WD December
25	Prepare interim legal representation summaries, for the DoD Agency-wide financial statement, and provide to the OMB; Department of the Treasury; and the GAO	USD(C)	20th WD December
26	Provide final audit adjustments to DoD Components and the DFAS and to the USACE-FC as applicable	Auditors	10th WD January
27	Provide the complete final RSSI and Deferred Maintenance RSI to the OUSD(AT&L) for Stewardship Assets, Stewardship Investments and Deferred Maintenance	DoD Components	10th WD January
28	Notify DoD reporting entities that their audit-adjusted (version 3) Component Statements and Notes are available electronically via the DDRS-AFS	DFAS and USACE-FC	14th WD January
29	Notify ODCFO that the audit-adjusted (version 3) DoD Agency-wide Statements and Notes are available electronically via the DDRS-AFS	DFAS	17th WD January

Table 2-4 (Continued)

No.	Required Action	Responsible Office	Milestone by Work Day (WD)
30	Provide final, complete DoD Agency-wide RSSI and Deferred Maintenance RSI to the DCFO and to the DFAS (for submission to the Department of the Treasury for the government-wide financial report)	OUSD(AT&L)	17th WD January
31	Submit Adjusted Trials Balances and notes for Federal Agencies' Centralized Trial-balance System (FACTS) I reporting to the Department of the Treasury	DFAS	1st of February
32	Provide final, complete Financial Statements and Notes to the DCFO and the OIG, DoD in hard copy with cover memorandum	DoD Components	1st WD February
33	Provide updated legal representation letter, with associated summaries, to auditors; to GC, DoD (Attention: ODGC(F)); and to the DFAS/USACE-FC	DoD Components	1st WD February
34	Provide final, complete DoD Agency-wide Financial Statements to the OIG, DoD	DCFO	4th WD February
35	Provide management representation letter to auditors	DoD Components	5th WD February
36	Provide audit opinion letter on reporting entity annual financial statements to the OIG, DoD	Component Audit Agency/Service or Certified Public Accounting firm	6th WD February
37	Provide advance copy of complete audited financial statements to the DCFO	DoD Components	7th WD February
38	Provide advance copy of complete audited financial statements to the OMB	CFO	8th WD February
39	Provide management representation letter on the DoD Agency-wide financial statements to the OIG, DoD; OMB; the Department of the Treasury; and the GAO	USD(C)	11th WD February
40	Provide audit opinion letter on the DoD Agency-wide reporting entity annual financial statements to the CFO	OIG, DoD	15th WD February

Table 2-4 (Continued)

No.	Required Action	Responsible Office	Milestone by Work Day (WD)
41	Provide updated legal representation response letter on the DoD Agency-wide financial statement to the OIG, DoD; USD(C) (Attention: ODCFO (Accounting Policy)(AP)) and the DFAS	GC, DoD	15th WD February
42	Provide updated legal representation response letter on the DoD Agency-wide financial statement to the OMB; Department of the Treasury; and the GAO	USD(C)	17th WD February
43	Provide printed and electronic copies of audited financial statements to the DCFO	DoD Components	17th WD February
44	Provide audited Financial Statements to the OMB and Congress	CFO	27th of February
45	Post audited Financial Statements on the USD(C) web site	ODCFO	3rd WD March

Table 2-4 (Continued)

0203 MANAGEMENT REPRESENTATION LETTERS

Auditors shall require the responsible senior manager to prepare and submit a management representation letter, for each reporting entity audited, prior to the conclusion of an audit. During the audit, the management function makes many representations to the auditor, both oral and written, in response to specific inquiries and through the financial statements. In the management representation letter, the senior responsible manager confirms the representations explicitly or implicitly given to the auditor, indicates and documents the continuing appropriateness of such representations, and reduces the possibility of misunderstanding concerning the matters that are the subject of the representations. Representations by management generally relate to: (1) the financial statements; (2) completeness of the information; (3) recognition, measurement, and disclosure; and (4) subsequent events. Specifically, the management function shall represent that the financial statements do, or do not, present fairly in accordance with federal generally accepted accounting principles and the OMB form and content guidance the financial status of the reporting entity. The OMB Bulletin Number 01-02 "Audit Requirements for Federal Financial Statements," dated October 16, 2000, includes an illustrative management representation letter. Management representation letters are due to the office performing the entity's audit by due date specified in Table 2-4, above.

020301. Signature levels for management representation letters are indicated below:

A. The Secretary or Under Secretary of the Military Department concerned shall sign a management representation letter in support of the audited financial statements for a Military Department's general funds and WCF.

B. The Director or Deputy Director of the Defense Agency concerned shall sign a management representation letter in support of the audited financial statements for a Defense Agency.

C. The fund manager of the trust or revolving fund concerned shall sign a management representation letter in support of financial statements for a trust or revolving fund managed by the Office of the Secretary of Defense or Defense Agency.

D. The USD(C) shall sign a management representation letter for the DoD Agency-wide financial statements.

E. The Director or Principal Deputy Director of the DFAS, or the Director of the applicable DFAS Center, shall provide a certification to the USD(C), respective Military Department Secretary, Defense Agency Director or trust fund manager as supporting documentation for that component's management representation letter. The Director, DFAS, however, shall not sign, or cosign, management representation letters (except for the management representation letter for the DFAS's own audited financial statements). When an office other than the DFAS provides accounting support, that accounting office shall provide the same type of certification. A sample of the certification to be provided by the DFAS or other accounting office is provided in Volume 6A, Chapter 2, paragraph 020210.

020302. Auditor requests for management representation letters below levels cited in paragraph 020301, above, should be referred to the ODCFO for resolution.

020303. Generally, the date of a management representation letter shall be the date the auditor issues the audit report on the entity's financial statements. Coordinating the two dates is essential. Management shall not provide auditors with presigned, undated letters or with predated letters. If auditors need an advanced copy of the intended management letter, auditors will include that requirement when submitting the initial request for the management representation letter. Active cooperation and interaction between auditors and management is expected so that the management representation letter reaches the auditors on the due date with no surprises included.

0204 LEGAL REPRESENTATION LETTERS

Interim and final legal representation letters, along with associated summaries, are the auditors' primary means of corroborating the information furnished by management concerning litigation, claims, and assessments. Legal representation letters are required for each of the reporting entities identified in paragraph 010601 of this volume. Legal representation letters for the reporting entities identified in that paragraph are intended to identify pending or threatened litigation and unasserted claims and assessments having an individual materiality threshold of \$100 million or more. Individual legal letters and summaries also shall be submitted for any entity listed in paragraph 010605 of this volume that is expected to get a favorable audit opinion.

★ 020401. Upon receipt of the audit agency request, it is the responsibility of the senior management official of each reporting entity to request interim and final legal representation letter from those lawyers with whom management consulted during the year. Requests for legal representation letters will be forwarded to the GC of the applicable Military Service. Requests for legal representation letters for Defense accounts shall be forwarded to the GC, DoD. Legal representation letters shall be provided to GC, DoD, Attention: Deputy General Counsel (Fiscal) and to the office performing the audit--the IG, DoD or the Military Service audit agency--of the entity's financial statements by the dates specified in the schedule provided in Table 2-4 of this volume.

★ 020402. The official responsible for a reporting entity's financial statements or that official's designee shall prepare, and submit to the auditors for their review, a summary of the General Counsel's legal representation letter. The required formats are provided at Figure 2-1 as well as in Appendix H-3 of the OMB Bulletin Number 01-02, "Audit Requirements for Federal Financial Statements." The DoD due dates for the interim and updated legal letters and the associated summaries are reflected in Table 2-4. The required summaries of the legal letters shall be submitted to the cognizant audit agency for the reporting entity, to the entity's supporting accounting center, and to the ODCFO.

★ 020403. Rather than having the cognizant auditors submit copies of the interim and updated legal representation letters, along with the summaries of the information contained in these responses, for each reporting entity, the GAO has agreed to use the single summary of the various legal representation letters prepared for submission with the DoD-wide statements. The ODCFO shall make the required submission to the OMB, the Department of the Treasury, and the GAO per the DoD due dates in Table 2-4.

FORMAT FOR SUMMARIZING INFORMATION CONTAINED IN LEGAL RESPONSES FOR FINANCIAL REPORTING PURPOSES

[Reporting entity] [DATE]								
1	2	3	4	5			6	7
Reference Key	Amount Claimed	Name of Case/ Related Cases	Likelihood of Loss	Amount or range of potential loss			Disposition in Financial Statements	
				(a) P	(b) R/P	(c) Upper	Amount Recorded	Note Disclosure
	\$			\$	\$	\$	\$	
¹ As required by paragraph 8.b of OMB Bulletin No. 99-__, the CFO shall prepare and the auditor shall review a summary of the information contained in the legal counsel's response using this format. An electronic version of this form is available in Microsoft Excel on the Internet at OMB's website http://www.whitehouse.gov/OMB/ (under "Bulletins").								

Figure 2-1

020404. Instructions for Legal Responses for Financial Reporting Purposes Summary by Column

Column 1, Reference Key: Page number of the legal representation letter obtained from the cognizant GC discussing the case, or other reference information.

Column 2, Amount Claimed: Include the amount claimed in the litigation, claim, or assessment (if specified).

Column 3, Name of Case/Related Cases: Identify the case or related cases.

Column 4, Likelihood of Loss: List the General Counsel's evaluation of the likelihood of loss:

Options:	P:	Probable
	R/P:	Reasonably Possible
	R:	Remote

Column 5, Amount or Range of Potential Loss:

Options:	5.a:	Probable (P): Provide single estimate or lower end of range, if known. Enter "U," if unknown. (Also, provide column totals.)
	5.b:	Reasonably Possible (R/P) Provide single estimate or lower end of range, if known. Enter "U," if unknown. (Also, provide column.)
	5.c:	If the estimate in 5.a or 5.b is a range, provide upper end of range; otherwise, enter "n/a."

Column 6, Disposition in Financial Statements: Amount Recorded: If applicable, provide dollar amount recorded as a liability in the financial statements. (Also, provide column totals.)

Column 7, Disposition in Financial Statements: Note Disclosure: If applicable, indicate by note reference number whether case information is separately disclosed or included in amounts disclosed in notes to the financial statements.

0205 GENERAL PREPARATION INSTRUCTIONS

020501. The principal statements and notes embody the federal generally accepted accounting principles contained in the Statements of Federal Financial Accounting Concepts (SFFAC) and Statements of Federal Financial Accounting Standards (SFFAS). The SFFAC and SFFAS have been, or will be, incorporated into the accounting policy and guidance contained in this Regulation. Preparers of financial statements seeking detailed guidance on matters involving the recognition requirements for transactions and information covered by the SFFASs should refer to this Regulation. If sufficient guidance is not found in this Regulation, preparers shall follow the generally accepted accounting principles hierarchy contained in Volume 1, Chapter 8 of this Regulation.

★ 020502. Preparers of financial statements and notes shall crosswalk their unique general ledger accounts to the United States Government Standard General Ledger (USSGL) chart of accounts and at a lower level of detail to include Treasury Department's Financial Management Service, FACTS I attributes, and the Department's trading partner information. The USSGL, with FACTS attributes, shall be used to prepare audited financial statements. Preparers of financial statements must provide the following computer files with each version of financial statements and notes: financial statements, notes, the trial balance used to prepare the statements, and the eliminations worksheets (as required in Chapter 13 of this volume). The computer files shall be submitted via e-mail to the DFAS-Arlington Accounting Directorate with a copy of the computer files provided to the ODCFO(AP).

★ 020503. The DoD Components/Reporting Entities shall prepare comparative statements for fiscal year 2001 and subsequent fiscal years. Data presented in the prior year column must be identical with the amounts reported on the financial statements of the prior year. In addition, any significant variances in the values reported from one year to the next on a report line of the statements shall be explained in the footnotes. Significant variances are those that exceed 10 percent (plus or minus) from the prior year amount for the same line item on the statements. Also, schedules presented in the footnotes, in support of amounts presented in financial statements, shall have total figures which agree with the amounts presented in the body of the financial statements. The chosen rounding level shall be maintained consistently throughout the principal statements and footnotes in accordance with paragraph 020509. In addition, rounded totals shall agree between the principal statements as applicable (e.g., the Net Position – end of the period line from the Statement of Changes in Net Position equal the Total Net Position line on the Balance Sheet). Individual line items shall sum to the totals. (This may require adjusting the individual detail line items for differences created by the rounding process rather than adjusting column totals.)

020504. User judgment shall be exercised to determine if it is appropriate to exclude from the final published statements some statement line items, footnotes, and lines or columns in footnotes that do not apply to the reporting entity. In order to ensure consistent and accurate aggregation of amounts from suborganizations, however, such lines may not be excluded prior to the submission of the final published version. Due to the short timeframes

available for statement consolidation at the agency level, preparers are not authorized to combine lines for which the referenced account balances are immaterial.

020505. Do not designate in the footnotes as “other” any discrete balances of a material amount. Material balances shall be separately reported and designated by name. Material is defined for this purpose as any component of a line item that represents more than 10 percent of the value of the line in the principal statements.

020506. The footnote numbering sequence contained in Chapter 10 of this volume shall be maintained in all working versions of the notes in order to ensure consistent and accurate aggregation to the DoD agency level. If a note is not applicable for the reporting entity, so state after the note number and title. If additional footnotes are necessary to provide required disclosures, number them sequentially as explained in Chapter 10 of this volume.

020507. The accounting policies and procedures shall be applied consistently throughout the financial statements. Ensure the amounts reported throughout the financial statements, footnotes and supplemental information are consistently reported. Also ensure that schedules presented in the footnotes, in support of amounts presented on financial statements, have total figures that agree with the amounts presented in the financial statements. Financial information reported in multiple footnotes or other sections shall be reported in a consistent manner.

★ 020508. The Balance Sheet, Statement of Net Cost and the Statement of Changes in Net Position principal statements shall be prepared as consolidated/consolidating statements, net of intraentity transactions. The Statement of Budgetary Resources and the Statement of Financing shall be prepared as combined/combining statements.

★ 020509. In regard to the display of amounts in the financial statements and notes, the DoD Agency-wide final published financial statements and notes shall display dollars rounded to millions with one decimal point. All Component statements shall display dollar amounts rounded to the nearest whole thousand on the final published principal statements and in the tables/schedules contained in the notes to the principal statements. To improve communication among preparers, reviewers and auditors during the preparation process and to avoid excessive workload associated with the resolution of rounding errors, all accounting activities shall report amounts as dollars and cents on all draft/working versions of the principal statements and notes prior to submission by the reporting entity of the final audited financial statements.

020510. Reporting entities that choose to present additional financial statements or information shall include these in the Other Accompanying Information section.

020511. The financial statements of the reporting entities identified in section 0106 shall be organized as displayed in Chapter 1, Table 1-1 of this volume.

★ 020512. Reporting entity managers are responsible for the preparation and printing of the final complete version of their financial statements (see paragraph 010601 for audited financial statements required by the OMB). Five advance copies of the final complete version of the financial statements shall be submitted to the ODCFO(AP) for submission to the OMB 10 work days (per the Reports Consolidation Act, P.L. 106-531) before the formal distribution to the OMB and the Congress. Twenty copies of the final printed version of the complete financial statements report and one set of portable document format (PDF) files shall be submitted to the Office of the Under Secretary of Defense (Comptroller), Office of Deputy Chief Financial Officer, Directorate for Accounting Policy, 1100 Defense Pentagon, Room 3A882, Washington, DC 20301-1100, no later than the due date specified in Table 2-4, “Key Financial Statements Preparation Due Dates” schedule, paragraph 020203 of this chapter.

020513. The Department’s financial statements will be posted electronically to the USD(C) web site. Reporting entity managers will provide the ODCFO(AP) with computer files of their financial statements for posting to the USD(C) web site by the due date specified in Table 2-4, “Key Financial Statements Preparation Due Dates” schedule, paragraph 020203 of this chapter. The files will be prepared in the PDF file type. If the reporting entity includes a large number of digital images the PDF can be very slow for users to access on the USD(C) web site. In those cases it is beneficial and it is encouraged to prepare separate files for each section of the financial report.

★ 020514. The DFAS, the OUSD(AT&L), and the OUSD(C) have responsibility for various sections of the DoD Agency-wide financial statements and for providing information to the Department of the Treasury, Financial Management Service (Treasury FMS) for inclusion in the Financial Report of the United States Government.

★ A. The DFAS is responsible for preparing the draft/working versions and final/ (“camera ready”) version of the principal statements, the notes to the principal statements, the Required Supplementary Information section (except for the deferred maintenance information), the Supporting Consolidating/Combining Statements, and the Other Accompanying Information section of the DoD Agency-wide financial statements. In addition, the DFAS shall ensure that the FACTS I submissions are transmitted to the Treasury FMS and that the Treasury FMS also receives the DoD Agency-wide RSSI section (see subparagraph 020514.B of this volume) via FACTS I notes for use in the Financial Report of the United States Government, the government-wide audited financial statements (see “FACTS I Reporting and Verification,” Chapter 6 of Volume 6A of this Regulation for guidance on FACTS I reporting).

★ B. The OUSD(AT&L) is responsible for compiling the complete RSSI section and the deferred maintenance information for the RSI section of the Department’s Agency-wide financial statement. The OUSD(AT&L) shall provide this information, via electronic files, to the ODCFO(AP) for inclusion in the working versions and final version of the DoD Agency-wide financial report. In addition, the OUSD(AT&L) is responsible for coordination with Treasury FMS and shall provide the RSSI and Deferred Maintenance information to the DFAS for inclusion in FACTS I notes to Treasury FMS for inclusion in the Financial Report of the United States Government.

C. The OUSD(C) is responsible for preparing the Overview section of the Agency-wide financial statements. In addition the OUSD(C) is responsible for assembly, publication and submission of the DoD Agency-wide financial statements to the OMB and the Congress.